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Campaigning for
Local Democracy

BRIEFING NOTES

RATE-CAPPING & PENALTIES

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The Tories have launched their most determined attack yet on local services and jobs.

In the last five years, they've tried everything to force cuts. Fines on councils. Bullying and threats. Now – with 'rate capping' – they have brought in the full force of the law.

Rate Capping means Cuts in Services

'Rate capping' means the Tory Government deciding what level of services local councils can provide. And since councils are picked out for rate capping because the Government thinks their level of service is too high, it means the Tory Government ordering cuts in local services.

In June 1984 the Rates Act became law. It gave the Government the power in England and Wales to set a target for the spending of any council spending more than £10 million a year, and fix a limit for the rates that can be raised to pay for that spending.

This year a 'hit list' of 18 councils has been picked out for rate capping. Eleven are in London. They are:

Brent
Camden
GLC

Greenwich
Hackney
Haringey
ILEA
Islington
Lambeth
Lewisham
Southwark
Basildon
Leicester
Merseyside
Portsmouth
Sheffield
South Yorkshire
Tamesdown

It's no accident that all but two of these authorities – Brent and Portsmouth – are Labour controlled.

In July the Government dictated how much councils on the hit list could spend next year. In November they will set a maximum rate which will allow these councils to raise just enough money to spend at this level – but not above it.

- Most councils on the hit list have been told they cannot increase their cash spending next year. Three – the GLC, ILEA and Greenwich – have been told they must cut it by 1½ per cent.
- This may not sound too bad until we remember that prices are going up. Inflation is forecast at around 6 per cent next year. So a cash freeze will mean a **real cut** in services of around 6 pence in the pound.
- Even worse, many councils have boosted their spending by running down balances. Next year they can't do this, so the real cut demanded by the Government is even worse than it appears.

Paying the Penalties

It's not just the hit list that are in the firing line. All councils in England and Wales have been hit with new targets and a stiffer range of penalties.

Council services are paid for partly out of local rates and rents and partly out of grants from central government. To

force down spending the Tories have invented two schemes to fine councils who spend more than the Government wants.

- First, the Government estimates a level of spending which in their opinion is needed to provide a standard level of service – the Grant Related Expenditure Assessment. Councils which go above this level have their grant 'clawed back' at an ever increasing rate.
- Second, the Government sets 'financial targets' for each council. These are completely arbitrary – except that they are designed to freeze or cut spending. Councils which go above these targets face heavy 'penalties' in lost grant.

This year, the Government has fixed even stiffer penalties than before. A council that goes 1 per cent over the target will lose grant equivalent to 7 pence on the rates. The next 1 per cent overspend will cost 8 pence and each further 1 per cent will cost 9 pence.

- So a council with a target of £100 million which decides to spend £105 million will lose grant equivalent to 42 pence on the rates.

Targets for next year have been set at different levels for different councils. Some, mostly Tory controlled, are being allowed a cash increase of up to 4¼ per cent. Others, mostly Labour controlled, are being told to make cuts of up to 1½ per cent in cash terms from this year's budgets. That means real cuts in services of over 7 per cent.

Government talks about protecting the rate payers from high rates. But the irony is that if the hit list councils spend at the rate capped level, they will still be 1½ per cent above their 'targets'. So when the Government announces rate limits for the hit list councils they will have to allow for rate increases to pay the penalties the Government will be imposing.

What rate capping means for jobs and services

Councils on the hit list have estimated that rate capping puts at least 15,000 jobs at risk. This is what it could mean: **The Inner London Education Authority** estimates it needs to spend £975 million next year just to maintain services. The Government says they can only spend £900 million. ILEA say that would mean:

- A loss of 1,000 teaching posts
- Cuts of 2,000 in staff in school meals, school cleaning and other non-teaching areas.
- An end to the asbestos clearing programme.
- A 12% increase in school meal prices.

Lewisham in London have been told to make cuts of around £15 million. They estimate this would cost up to 1,000 jobs and means:

- increased charges for meals on wheels and home helps
- closure of libraries, swimming pools, day centres and day nurseries
- cuts in street sweeping, refuse collection and housing maintenance

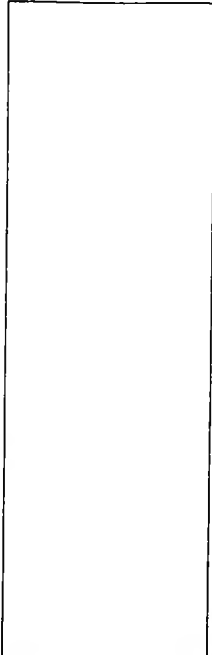
Sheffield reckons that the Government is demanding a 10 per cent cut. This would mean:

- **In housing:** 360 jobs cut; improvement grants, modernisation and maintenance cut.
- **In social services:** four old people's homes, 100 home helps, and 60 places in centres for the mentally handicapped would go.
- **In education:** 1400 teachers' jobs cut.

Big Brother buys the baked beans.

The Tories talk a lot about democracy. They want ballots before strikes. Ballots for union executives. Ballots for political funds. But there are going to be no ballots for people living in the GLC and Met. Counties. And, when it comes to council services, it doesn't matter what services local people have voted for. The Government is going to tell them what services they can have.

- It's getting beyond a joke. The Education Authority in London has been told they can't spend more than £100,000 without the approval of the Secretary of State.



And they can't hire out school halls without his permission. So, Patrick Jenkin has to say how many toilet rolls and tins of baked beans they can buy – and when they can let the boy scouts use a school hall.

We're not asking a lot. Just the right to decide ourselves what services we want and are prepared to pay for.



What has happened in Scotland?



Since 1982 councils in Scotland have suffered from rate capping. The Secretary of State for Scotland can decide that a council's spending is 'excessive and unreasonable' and order it to cut its rates. In 1983/84 four councils were picked on. Each case shows how arbitrary and unreasonable the new law is, for example:

Glasgow City was picked out, despite planning a lower than average rate increase of only 5.2%, and forced to make cuts of £6 million.

Lothian regional council was selected, despite having spending closer to the government guidelines than 40 of the 65 Scottish Councils. Cuts of £12 million were imposed, leading to a loss of 382 teaching jobs and 272 home helps; a 10% increase in bus fares and cuts in fare concessions; and many other cuts in training, social services and education.

On top of this, the Government can impose penalties on councils considered to be overspending. In July 1984, £90

million in grant was taken away from 50 Scottish councils putting over 8,000 jobs at risk.

But even this did not satisfy the Government's mania for cuts. The '*Rating and Valuation (amendment) (Scotland) Act*' gave the Secretary of State powers to:

- set a limit in advance for rate rises in different *classes* of authorities (regions, districts etc.)
- to make that limit the legal rate where a council refuses to set its own rate within the limit.
- to limit the amount councils can spend on council housing – and thus effectively fix rents.

Scotland is being used each year as the test bed for new powers which are later extended to the rest of the country.

Why we oppose Rate Capping

There are four good reasons why NUPE opposes rate capping.

It will mean devastating cuts in local services.

The Tories' great myth is that there is plenty of fat that can be trimmed. The truth is that any cuts will mean cuts in services. Among services particularly at risk are: school meals, old peoples' homes, home helps, meals-on-wheels, repairs and maintenance, street cleaning, concessionary bus fares, nurseries and adult education.

It is a direct attack on the jobs, pay and conditions of our members.

Under rate capping some councils will have no alternative but to cut jobs, if they are to stay within the law. Some will be tempted to break national agreements on pay as a way of cutting costs. Others may try to bring in private contractors paying even less to their workers, as a way of saving money.

It is a fundamental attack on local democracy.

The Rates Act has given central government the power – for the first time in England and Wales – to fix the level of local services. The Minister will be able to overturn the decisions of local councils elected by local people. Former Conservative Prime Minister, Edward Heath, has strongly opposed the Bill, arguing that it means a massive centralisation of power, giving Whitehall ‘powers that we have never taken before, even in two world wars’.

It means a bureaucratic nightmare.

As the Labour Party’s spokesman in the House of Commons said: ‘It could mean civil servants deciding which services can continue and which must be cut, how many teachers and home helps there should be, and what the level of bus fares should be. If it were not so stupid, it would be funny.’ Rate capping will add a further level of complication and uncertainty to a system of local finance which has already been condemned by the independent Audit Commission as inefficient and perverse.

Why we all have to fight.

We musn’t leave the councils on the hit-list to stand on their own.

- All but the smallest councils could be on the hit list next year. The Rates Act gives the Government the power to cap the rates of any council in England and Wales spending more than £10 million a year. That means all County Councils, all Metropolitan Districts and many other District councils.
- This year the Government is trying it on. If they get away with it without opposition, they will come back next year demanding further cuts from councils on this year’s list – and adding new victims.
- All councils are hit this year by new penalties. The Government has set spending targets for all councils and anyone who goes over the limit will suffer massive cuts in grant – and that means massive rate bills.

Every council is at risk. We must support each other.

We can't let them get away with it.

In the last few years, many councils have been able to protect services by putting up rates. For the hit list this is no longer an option. For many off the hit list, rate increases needed to protect services would be sky high.

This is why many councils are now saying – enough is enough. This year we have to make a stand. We have no choice.

The Government *can* be forced to change its mind. When Liverpool Council refused to make a rate earlier this year, the Government could have forced them into bankruptcy. Instead they backed off and made concessions.

The Labour Party and Trade Unions have hammered out a strategy for opposing rate capping and defending local services. The key points to campaign for are:

■ **No cuts in jobs and services.**

Councils should make their budgets for next year in accordance with local wishes to protect services and jobs.

■ **Win public support.**

Councils and trade unions have to win public support for council services and highlight the damage that would be caused by cuts. Labour Groups should be meeting trade unions to work out a joint approach.

■ **Give us back the grant that has been stolen.** Over £9,000 million has been stolen from councils by the Tories in the last five years. If our grant wasn't stolen we wouldn't have to put up rates.

■ **Challenge the rate capping law.**

A variety of tactics are being discussed. Some hit list councils may refuse to make a Tory rate. Some may decide to make a rate which doesn't cover their spending plans. Whatever the tactics, the TUC, the Labour Party and NUPE are calling for a stand of resistance.



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